

Public Service Commission of the District of Columbia

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December 1, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W., TW-A325
Washington, DC 20554

Re: Comments in the proceeding entitled *Federal-State Joint Board on Universal Service Seeks Comment on the Interim Hold-Harmless Provision of the Commission's High-Cost Support Mechanism*, CC Docket No. 96-45, FCC No. 99J-2.

Dear Ms. Salas:

Pursuant to the Public Notice issued in the proceeding referenced above, the Public Service Commission of the District of Columbia (DCPSC) hereby files an original and four copies of its Comments.

The DCPSC appreciates the opportunity to submit Comments in this proceeding.

Sincerely,

Edward M. Meyers
Acting Chair

Enclosures

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Before the
Federal Communications Commission
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

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CC Docket No. 96-45

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Federal-State Joint Board on
Universal Service

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FCC No. 99J-2

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COMMENTS ON THE INTERIM HOLD-HARMLESS PROVISION

Pursuant to the Federal Communications Commission (FCC) Public Notice issued November 3, 1999,¹ the Public Service Commission of the District of Columbia (DCPSC) hereby files its Comments in the above-referenced proceeding. The DCPSC supports the immediate elimination of the hold-harmless provision, since the continuation of this provision requires the District's ratepayers to bear unfairly some of the increased costs of financing the universal service fund. To reduce this inequity, the DCPSC proposes that the hold-harmless provision be eliminated in January 2001.

I. THE DCPSC'S INTEREST IN THIS PROCEEDING

The DCPSC regulates the gas, electric, and telecommunications utilities in the District of Columbia. The DCPSC's interest in the proceeding is to minimize the amount of support District ratepayers contribute to the universal service support fund, since the District's ratepayers receive no benefits from the fund.

¹ Public Notice, *Federal-State Joint Board on Universal Service Seeks Comments on the Interim Hold-Harmless Provision of the Commission's High-Cost Support Mechanism*, CC Docket No. 96-45, FCC No. 99J-2 (rel. Nov. 3, 1999).

II. DCPSC PROPOSED SCHEDULE FOR ELIMINATING THE INTERIM HOLD-HARMLESS PROVISION

On November 2, 1999, the FCC released two orders implementing its new program for providing universal service high-cost support to non-rural carriers.² These orders implemented a new support mechanism that calculates support on the basis of the non-rural carrier's forward-looking costs. Since this mechanism would eliminate or reduce support for many non-rural carriers, the FCC has created an interim hold-harmless provision that provides the same level of universal service support that is currently provided to those carriers that would be losing some or all of their support under the new mechanism.³

The result of these two orders is to more than double the amount of universal service support to be collected and distributed until the hold-harmless provision is eliminated. As a consequence, District of Columbia ratepayers' long-distance bills would increase to pay for this additional universal service funding under both the old and new high-cost support mechanisms simultaneously.

This large rate increase would unfairly augment the amount of universal service fund support already borne by District ratepayers. The District is one of three jurisdictions

² *Federal-State Joint Board on Universal Service*, Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket No. 96-45 (rel. Nov. 2, 1999) (*Methodology Order*); *Federal-State Joint Board on Universal Service*, *Forward Looking Mechanism for High-Cost Support for Non-Rural LECs*, Tenth Report and Order, CC Docket Nos. 96-45, 97-160 (re. Nov. 2, 1999) (*Inputs Order*).

³ *Methodology Order*, FCC 99-306, paragraphs 78-88.

that does not receive any rural or non-rural universal service fund support,⁴ even though the District's ratepayers contribute to the fund. The old high-cost support mechanism unfairly burdened District ratepayers by excluding them from receiving universal service support; unfortunately, the new mechanism does not eliminate this inequity. Instead, the FCC has increased the District's universal service requirement by increasing the amount of universal service support to be contributed by District ratepayers. Collecting universal service fund support under both the old and new mechanisms simultaneously during the time that the hold-harmless provision remains in place only compounds the inequity placed on District ratepayers.

The FCC correctly determined that this simultaneous financing of the old and new mechanisms should be temporary, by ruling that the hold-harmless provision should be interim, not permanent.⁵ The Public Notice in this proceeding requested comments on the types of schedules and procedures that would be needed to eliminate the hold-harmless provision.

The DCPSC recommends that the hold-harmless provision should be eliminated in its entirety in January 2001. By ending the simultaneous funding of the old and new mechanisms as soon as practicable at one time, the DCPSC's proposal would most quickly reduce (although not eliminate) the increased inequitable burden on District ratepayers.

⁴ The others are Delaware and Rhode Island. See, Public Notice, *Common Carrier Bureau Releases State-by-State Universal High-Cost Support Amounts for Non-Rural Carriers and Forward Looking Cost Model Results*, CC Docket Nos. 96-45 and 97-160, DA 99-2399.

⁵ *Methodology Order*, FCC 99-306, paragraphs 78-88.

This proposal would benefit others in addition to District ratepayers. Ratepayers in low-cost areas nationwide will experience a rate reduction through the rapid elimination of the hold-harmless provision. Elimination of this provision at one time also minimizes the administrative burden on the FCC and State commissions, as the work required by the elimination of the hold-harmless provision would be concentrated during one period of time, instead of repeated several times during a gradual phase-out process.

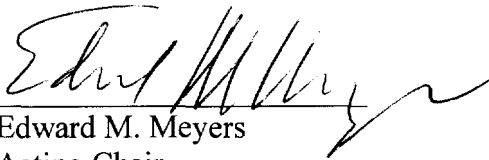
While the DCPSC strongly urges the FCC to adopt the proposal above, an alternative approach is one that phases out the hold-harmless provision on a semi-annual basis by 25% beginning in January 2001 and continuing in July 2001, January 2002, and July 2002. Under this approach, the hold-harmless provision would be eliminated by July 2002. This proposal would provide an opportunity for those non-rural carriers and customers losing universal service high-cost support to adjust to this loss, but would create a larger administrative burden on the FCC and State commissions charged with eliminating the support. District ratepayers, as well as those in Delaware and Rhode Island would be relieved of some of the burden of universal fund support, but would continue to contribute inequitably to the universal service fund for a much longer period of time under this alternative approach.

CONCLUSION

The recent FCC universal service orders mandate the parallel operation of the old and new high-cost support mechanisms for the universal service fund on an interim basis.

Since this parallel operation burdens District ratepayers with contributing increased fees to the universal service fund under both cost mechanisms simultaneously, the DCPSC supports elimination of the hold-harmless provision as soon as possible. As a rapid elimination of the hold-harmless provision would reduce some of the unfair costs borne by District ratepayers for universal service support, the DCPSC urges the FCC to adopt the DCPSC's proposal and eliminate the hold-harmless provision in January 2001.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Edward M. Meyers", written over a horizontal line.

Edward M. Meyers
Acting Chair

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